



STATE BOARD OF EQUALIZATION

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January 12, 2006

BURTON W. OLIVER
Executive Director

Mr. S--- Z---
S--- W---
XXXX North ---
---, CA XXXXX

Dear Mr. Z---:

This is in response to your letter dated October 5, 1993, in which you state:

"I am writing you to determine the proper terminology for the passing of title or ownership of manufactured property.

"During our most recent audit, the State Board of Equalization quoted from paragraph 435.0140 of the sales and use tax annotations.

"It is common practice in our industry to perform without signed contracts. A written estimate is given to the production company and a verbal commitment is given to us authorizing construction. An invoice is submitted at the end of the job.

"I have enclosed an estimate. Please indicate how you would like me to include 'passing of ownership.'"

The annotation your refer to provides:

"When tangible personal property is manufactured and completely assembled at the retailer's plant, then disassembled for shipment

and reassembled at the buyer's place of business, the reassembling constitutes a reconditioning of the property rather than fabrication.

Accordingly, separately stated charges for such reassembly are not subject to tax if title to the tangible property passed to the buyer prior to its reassembly and if the buyer was not required to hire the seller to do the reassembly. 11/14/67."

You state you give a written estimate in advance. If, on that estimate, you include a statement which states that title passes at the time and place of shipment, and your customer accepts, that would satisfy the requirement that title to the disassembled tangible personal property passes to the buyer prior to its reassembly.

If we can be of further assistance, please feel free to contact us.

Sincerely,

Rachel M. Aragon
Staff Counsel

RMA:ljt